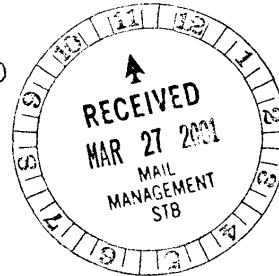




23448
RECORDED INDEX FILED

MAR 23 2001 11-11 AM

SURFACE TRANSPORTATION BOARD



March 23, 2001

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 700
Washington, D.C. 20423

Dear Secretary:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the United States Code.

This document is a security agreement, a primary document, dated March 22, 2001.

The names and addresses of the parties to the document are as follows:

Debtor: Locomotive Leasing Service, Ltd.
2300 Highway 365, Suite 400
P. O. Box 1973
Nederland, Texas 77627

Secured Party: First Victoria National Bank
101 S. Main Street
P. O. Box 1338
Victoria, Texas 77902

A description of the equipment covered by the document is as follows:

160 100-ton single dump aluminum hopper railroad cars listed on Exhibit A attached hereto.

A fee of \$26.00 is enclosed. Please return the original and any extra copies not needed by the board for recordation to Craig G. Friemel, First Victoria National Bank, P. O. Box 1338, Victoria, Texas 77902.

Mr. Vernon A. Williams, Secretary

Page 2

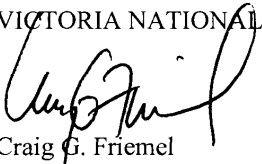
March 23, 2001

A short summary of the document to appear in the index follows:

Security Agreement between Locomotive Leasing Service, Ltd., P. O. Box 1973, Nederland, Texas 77627, as Debtor, and First Victoria National Bank, P. O. Box 1338, Victoria, Texas 77902, as Secured Party, dated March 22, 2001, covering 160 100-ton single dump aluminum hopper railroad cars, initial numbers ECRX 9000 through 9159, inclusive.

Very truly yours,

FIRST VICTORIA NATIONAL BANK

By: 
Craig G. Friemel
Senior Vice President

Enclosures

EXHIBIT A

[illegible]

[illegible]

[illegible]

[illegible]

SECURITY AGREEMENT

Date: March 22, 2001

Debtor: Locomotive Leasing Service, Ltd.

23448
RECORDATION NO. FILED

Address: P. O. Box 1973

Nederland, Texas 77627

Attn: Gary Mixon

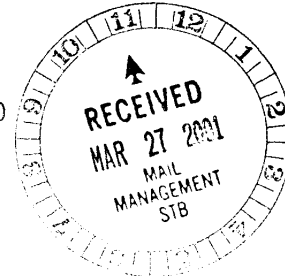
11-11 AM

SERVICE CORPORATION BOARD

Secured Party: First Victoria National Bank

Address: 101 S. Main

Victoria, Texas 77901



Record and Return to: Michael Meier, Esquire, Marr, Meier & Bradicich, L.L.P., 200 First Victoria National Bank Building, P.O. Box 550, Victoria, Texas, 77902-4344.

TYPE OF SECURITY AGREEMENT: Inventory and Equipment

The above named Debtor ("Borrower") hereby grants to the above named Secured Party ("Lender" or "Secured Party") a first priority and exclusive lien and security interest in the following described property ("Collateral" and including all proceeds, products and accessions thereto):

One hundred sixty (160) 100-ton single dump aluminum hopper railroad cars as described on Exhibit " A " attached hereto and incorporated herein.

Together with all parts, accessories, repairs, improvements, accessions, substitutions and replacements therefore, at any time hereinafter made or acquired, and all proceeds, products and profits thereof, hereafter at any time acquired by Borrower or in which Borrower obtains rights and all rights to payment and other general intangibles arising from any contract of sale or lease of such railroad cars.

To secure payment to Secured Party at the address stated above of the following promissory note:

One certain promissory note dated March 22, 2001 ("Note"), as the same may be amended, executed by Borrower and payable to the order of Lender in the original principal sum of Six Million Eight Hundred Forty Eight Thousand and No/00 Dollars (\$6,848,000.00), bearing interest and being payable in monthly installments pursuant to the terms of the Note with the final installment being due on March 22, 2011, and all renewals, extensions and rearrangements thereof, together with all other indebtedness now or hereinafter owing by Borrower to Lender.

Borrower(s) Warrants and Agrees:

1. Borrower has full power and authority to enter into this Security Agreement; this Security Agreement has been duly authorized, executed and delivered by Borrower and constitutes the valid and binding obligation of Borrower enforceable in accordance with its terms. No consent of third parties, a license, authorization or filing with any governmental authority is required to be obtained or performed in connection with the execution, delivery and performance of this Security Agreement.
2. All information supplied and statements made by Borrower in any financial, credit or accounting statement or application for credit prior to, contemporaneously with or subsequent to the execution of this Security Agreement are and shall be true, correct, complete and genuine.
3. Borrower owns, or will use the proceeds of any loans by Secured Party to become, the owner of the Collateral free from any set-off, claim, restriction, lien, security interest or encumbrance except this security interest and liens for taxes not yet due.
4. No financing statement covering the Collateral or its proceeds is on file in any public office and Borrower will not permit any financing statement covering any of the Collateral or the proceeds thereof to hereafter be on file in any public office except as may be filed pursuant to this Security Agreement.
5. The Collateral will be held by Borrower, at Borrower's risk of loss, lease to others under such lease agreements as Borrower may make provided that Borrower has first received the written consent of Lender.
6. Borrower will have and maintain insurance at all times with respect to the Collateral against risks of fire, theft, and such other risks as Secured Party may require, including standard extended coverage. Such insurance policies shall contain such terms and conditions, be in a form, for a period and be written by companies satisfactory to Secured Party. Such insurance policies also shall contain a standard mortgagee's endorsement providing for payment of any loss to Secured Party. All policies of insurance shall provide for ten (10) days written minimum cancellation notice to Secured Party. Borrower shall furnish to Secured Party with certificates or other evidence satisfactory to Secured Party of compliance with the foregoing insurance requirements. Secured Party may act as attorney in fact for Borrower in obtaining, adjusting, settling, and canceling such insurance and endorsing any drafts drawn by insurers of the Collateral. Secured Party may apply any proceeds of such insurance which may be received by it in payment on account of the indebtedness secured hereby, whether due or not.

7. Borrower is a Texas limited liability company in good standing.
8. The security interest provided by this Security Agreement is a purchase money security interest Borrower has acquired the Collateral from the proceeds of the Note.
9. If Secured Party should at any time be of the opinion that the Collateral is not sufficient or has declined or may decline in value, or should Secured Party deem itself insecure, then Secured Party may call for additional property to be pledged and/or covered by this Security Agreement satisfactory to Secured Party, and Borrower promises to furnish such additional security forthwith.
10. Borrower will use the Collateral for purposes of leasing to third parties.
11. Borrower will contemporaneously herewith furnish Secured Party a list of the states wherein the Collateral is or will be used, and hereafter will notify Secured Party in writing of any: (i) other states in which the Collateral is so used; and (ii) change in the location of Borrower's chief place of business.
12. Borrower will not sell, transfer, lease or otherwise dispose of the Collateral, or attempt or offer to do any of the foregoing, without the prior written consent of Secured Party and unless the proceeds of any such sale, transfer, lease or other disposition are paid directly to Secured Party. Borrower agrees to account for and pay over or deliver to Secured Party all Proceeds of all Collateral promptly upon receipt thereof. No provisions contained in this Security Agreement shall be construed to authorize any such sale, transfer, lease or other disposition of the Collateral except pursuant to the terms and conditions set forth in other paragraphs of this Security Agreement pertaining to other types of collateral.
13. Secured Party shall have the authority, but shall not be obligated to: (a) notify any or all lessees or others obligated to Borrower for the use or rental of such Collateral of the existence of Secured Party's security interest in the Collateral and to pay or remit all sums due, or to become due, under any agreements between such lessees or others and Borrower, directly to Secured Party or Secured Party's nominee; (b) place on any chattel paper received as proceeds a notation or legend showing Secured Party's security interest in the Collateral; (c) in the name of Borrower or otherwise, demand, collect, receive and receipt for, compound, compromise, settle and give acquittance for, and prosecute and discontinue any suits or proceedings in respect of any of the Collateral; (d) take any action which Secured Party may deem necessary or desirable in order to realize on and protect the Collateral, including, without limitation, the power to perform any contract, to endorse in the name of Borrower any checks, drafts, notes or other instruments or documents received in payment of or on account of the Collateral; (e) place upon Borrower's books and records relating to the accounts and contract rights covered by the security interest granted hereby a notation or legend stating that such

account or contract rights are subject to a security interest held by Secured Party; and (f) after any Default, enter upon and into and take possession of all or such part or parts of the properties of Borrower, including lands, plants, buildings, machinery, equipment and other property as may be necessary or appropriate in the judgment of Secured Party to permit or enable Secured Party to manufacture, produce, process, store or sell or complete the manufacture, production, processing, storing or sale of all or any part of the Collateral, as Secured Party may elect, and to use and operate said properties for said purposes and for such length of time as Secured Party may deem necessary or appropriate for said purposes without the payment of any compensation to Borrower therefor.

14. Borrower will: (a) keep accurate books, records and accounts with respect to the Collateral, and with respect to the general business of Borrower, and will make the same available to Secured Party at Secured Party's request for examination and inspection; (b) make and render to Secured Party such reports, accountings, and statements as Secured Party from time to time may request with respect to the Collateral, including without limitation, balance sheets, income statements, statements of cash flow and such other information as may be requested by Secured Party; and (c) permit any authorized representative of Secured Party to examine and inspect, during normal business hours, any and all premises where the Collateral is or may be kept or located.

15. Borrower will keep the Collateral (and all lands, plants, buildings, machinery, equipment and other property now or hereafter at any time owned or used by Borrower in connection with the manufacture, processing, production, storage, sale or lease of the Collateral) in good condition and insured against such risks and in such amounts as Secured Party may, from time to time, request and with an insurance company or companies satisfactory to Secured Party. The aforescribed insurance policies shall protect Secured Party as its interest may appear and shall be delivered to Secured Party upon Secured Party's request. Borrower shall, upon any loss or destruction of the Collateral, pay to Lender all insurance proceeds or casualty occurrence settlement from any lessee as a result thereof. Secured Party's acceptance of insurance proceeds shall not be deemed to be a waiver, release, compromise or settlement regarding any and all amounts due under the Note.

16. Borrower has or will acquire title and will at all times keep the Collateral free of all liens and encumbrances, except the security interest created hereby, and has full power and authority to execute this Security Agreement, to perform Borrower's obligations hereunder, and to subject the Collateral to the security interest created hereby. Borrower warrants and represents that no financing statements covering all or any part of the Collateral, except any which may have been filed by Secured Party, is on file in any public office.

17. Upon default by Borrower of any of the provisions of this Security Agreement, Secured Party, at its option, may, at its sole option, but without any obligation: (a) effect

such insurance and repairs and pay the premiums therefor and the costs thereof; and (b) pay and discharge any taxes, liens and encumbrances on the Collateral. All sums so advanced or paid by Secured Party shall be payable by Borrower on demand with interest at the maximum rate allowed by law and shall be a part of the Borrower's secured obligations as set forth in its loan agreement and Note with Secured Party and as shall be secured by this Security Agreement.

18. Borrower will at any time or times hereafter execute such financing statements and other instruments and perform such acts as Secured Party may request to establish, maintain and protect a valid security interest in the Collateral, and Borrower will pay all costs associated with such instruments, including without limitation, Secured Party's legal fees, and the cost of filing and recording.

19. The occurrence of any of the following events shall constitute a default "Default"): (a) the failure of Borrower, or of any co-maker, endorser, surety or guarantor, to pay when due any amount payable under the Note; (b) failure to perform any agreement, term and condition of Borrower contained herein; (c) any statement, representation or warranty of Borrower made herein or at any time furnished to Secured Party which is untrue in any respect as of the date made; (d) entry of any judgment against Borrower; (e) appointment of a receiver for, loss, substantial damage to, destruction, theft, sale or encumbrance to or of any portion of the Collateral, or the making of any levy, seizure, or attachment thereof; (f) Borrower becomes insolvent or unable to pay Borrower's debts as they mature or makes an assignment for the benefit of Borrower's creditors or any proceeding is commenced by or against Borrower alleging that Borrower is insolvent or unable to pay its debts as they mature; (g) death of any Borrower who is a natural person or of any partner of any Borrower which is a partnership; (h) dissolution, consolidation, or merger, or transfer of a substantial part of the property of any Borrower which is a corporation or a partnership; (i) a change in the condition or affairs (financial or otherwise) of Borrower or any co-maker, endorser, surety or guarantor of any of the obligations set forth in the loan agreement and/or Note between Borrower, or any co-maker, endorser, surety or guarantor, as in the opinion of Secured Party impairs Secured Party's security or increases its risk; or (j) Secured Party deems itself insecure for any reason whatsoever.

20. Whenever a default shall exist, Secured Party may, at its option and without demand or notice, declare all or any part of the obligations under the loan agreement and the Note immediately due and payable, and Secured Party may exercise, in addition to the rights and remedies granted hereby, all rights and remedies of a secured party under the Uniform Commercial Code or any other applicable law.

21. If requested by Secured Party or required by Interchange Rules or any other rules of the Association of American Railroads ("Association"), Borrower shall cause the hopper railroad cars, which are part of the Collateral hereunder, to be marked with

stenciling to identify the same as being subject to this Security Agreement

22. Borrower agrees, in the event of Default, to make the Collateral available to Secured Party at a place or places acceptable to Secured Party, and to pay all costs of Secured Party, including attorney's fees, in the collection of any of the Secured Obligations and the enforcement of any of Secured Party's rights. At Secured Party's request, Borrower shall cause the hopper railroad cars described herein as Collateral to be delivered to Secured Party at Victoria, Texas, or any other point designated by Secured Party, freight prepaid by Borrower, in condition suitable for interchange under the rules of the Association. At Secured Party's request, Borrower will place all such hopper railroad cars upon such storage tracks as Secured Party may designate.

23. Borrower shall indemnify and hold harmless Secured Party from and against any and all claims, losses and liabilities resulting from this Security Agreement (including without limitation enforcement of this Security Agreement). Borrower agrees, upon demand, to pay to Secured Party the amount of any and all expenses, including but not limited to, legal fees and costs and of any experts and agents, which Secured Party may incur in connection with the: (a) preparation, execution, delivery, filing, recording or administration of this Security Agreement or the obtaining of legal advice with respect to its rights and remedies under this Security Agreement; (b) custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral; (c) exercise of enforcement of any of the rights of Secured Party hereunder; (d) defense by Secured Party of any injunction proceeding related to the indebtedness or the Collateral; or (e) Borrower's failure to perform or observe any of the provisions of this Security Agreement.

24. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least ten (10) days before such disposition, postage prepaid, addressed to Borrower at the address shown below.


25. No delay or failure by Secured Party in the exercise of any right or remedy shall constitute a waiver thereof, and no single or partial exercise by Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. In case anyone or more of the provisions of this Security Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, and unenforceability, shall not affect any other provision of this Security Agreement.

26. A copy of this Security Agreement or any financing statement covering the Collateral is sufficient and may be filed as a financing statement.

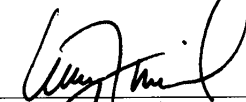
27. This Security Agreement may only be amended by an agreement in writing.

SIGNED this 22nd day of March, 2001, in duplicate original counterparts.

LOCOMOTIVE LEASING SERVICE, LTD.

By 
William F. Scott (Printed Name)
Its: MANAGER (Title)

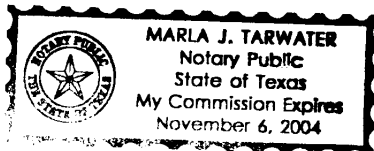
FIRST VICTORIA NATIONAL BANK

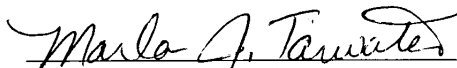
By 
CRAIG FRIEMEL (Printed Name)
Its: SVP (Title)

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on March 22, 2001, by William F. Scott, as Manager of Locomotive Leasing Service, Ltd., a Texas limited liability company, on behalf of said company.

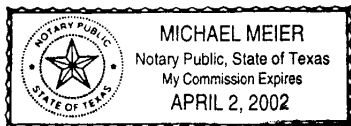



Notary Public, State of Texas

STATE OF TEXAS §

COUNTY OF VICTORIA §

This instrument was acknowledged before me on March 23, 2001, by CRAIG FRIEMEL, as SENIOR VICE PRESIDENT of First Victoria National Bank, on behalf of said corporation.




Notary Public, State of Texas

EXHIBIT A

[illegible]

[illegible]